

**232.501-3 Contract price.**

(b) The contracting officer may approve progress payments when the contract price exceeds the funds obligated under the contract, provided the contract limits the Government's liability to the lesser of—

(i) The applicable rate (i.e., the lower of the progress payment rate, the liquidation rate, or the loss-ratio adjusted rate); or

(ii) 100 percent of the funds obligated.

[56 FR 36409, July 31, 1991, as amended at 65 FR 39722, June 27, 2000; 70 FR 75413, Dec. 20, 2005]

**232.502 Preaward matters.**

**232.502-1 Use of customary progress payments.**

(b)(1) If the contractor is a small disadvantaged business, progress payments may be provided when the contract will involve \$65,000 or more.

[56 FR 36409, July 31, 1991, as amended at 71 FR 75893, Dec. 19, 2006; 75 FR 45074, Aug. 2, 2010]

**232.502-4-70 Additional clauses.**

(a) Use the clause at 252.232-7002, Progress Payments for Foreign Military Sales Acquisitions, in solicitations and contracts that—

(i) Contain FMS requirements; and

(ii) Provide for progress payments.

(b) Use the clause at 252.232-7004, DoD Progress Payment Rates, instead of Alternate I of the clause at FAR 52.232-16, if the contractor is a small business or small disadvantaged business concern.

[56 FR 36409, July 31, 1991, as amended at 56 FR 67217, Dec. 30, 1991; 64 FR 8731, Feb. 23, 1999; 65 FR 39722, June 27, 2000; 66 FR 49865, Oct. 1, 2001]

**232.503 Postaward matters.**

**232.503-6 Suspension or reduction of payments.**

(b) *Contractor noncompliance.* See also 242.7503.

(g) *Loss contracts.* Use the following loss ratio adjustment procedures for making adjustments required by FAR 32.503-6(f) and (g)—

(i) Except as provided in paragraph (g)(ii) of this subsection, the contracting officer must prepare a supplementary analysis of the contractor's

request for progress payments and calculate the loss ratio adjustment using the procedures in FAR 32.503-6(g).

(ii) The contracting officer may request the contractor to prepare the supplementary analysis as an attachment to the progress payment request when the contracting officer determines that the contractor's methods of estimating the "Costs to Complete" are reliable, accurate, and not susceptible to improper influences.

(iii) To maintain an audit trail and permit verification of calculations, do not make the loss ratio adjustments by altering or replacing data on the contractor's original request for progress payment (SF 1443, Contractor's Request for Progress Payment, or computer generated equivalent).

[56 FR 36409, July 31, 1991, as amended at 60 FR 29499, June 5, 1995; 65 FR 39722, June 27, 2000]

**232.503-15 Application of Government title terms.**

(d) An administrative contracting officer (ACO) determination that the contractor's material management and accounting system conforms to the standard at 252.242-7004(e)(7) constitutes the contracting officer approval requirement of FAR 32.503-15(d). Prior to granting blanket approval of cost transfers between contracts, the ACO should determine that—

(i) The contractor retains records of the transfer activity that took place in the prior month;

(ii) The contractor prepares, at least monthly, a summary of the transfer activity that took place in the prior month; and

(iii) The summary report includes as a minimum, the total number and dollar value of transfers.

[56 FR 36409, July 31, 1991, as amended at 57 FR 42632, Sept. 15, 1992; 70 FR 75413, Dec. 20, 2005]

**Subpart 232.6—Contract Debts**

**232.605 Responsibilities and cooperation among Government officials.**

(b) Disbursing officers are those officials designated to make payments

## **232.606**

under a contract or to receive payments of amounts due under a contract. The disbursing officer is responsible for determining the amount and collecting contract debts whenever overpayments or erroneous payments have been made. The disbursing officer also has primary responsibility when the amounts due and dates for payment are contained in the contract, and a copy of the contract has been furnished to the disbursing officer with notice to collect as amounts become due.

[56 FR 36409, July 31, 1991, as amended at 70 FR 75413, Dec. 20, 2005]

### **232.606 Debt determination and collection.**

When transferring a case to the contract financing office, follow the procedures at PGI 232.606.

[70 FR 75413, Dec. 20, 2005]

### **232.610 Demand for payment of contract debt.**

When issuing a demand for payment of a contract debt, follow the procedures at PGI 232.610.

[70 FR 75413, Dec. 20, 2005]

### **232.616 Compromise actions.**

Only the department/agency contract financing offices (see 232.070(c)) are authorized to compromise debts covered by this subpart.

[56 FR 36409, July 31, 1991, as amended at 70 FR 75413, Dec. 20, 2005]

### **232.617 Contract clause.**

(a) The Director of Defense Procurement and Acquisition Policy, Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics), may exempt the contracts in FAR 32.617(a)(2) through (5) and other contracts, in exceptional circumstances, from the administrative interest charges required by this subpart.

(7) Other exceptions are—

(A) Contracts for instructions of military or ROTC personnel at civilian schools, colleges, and universities;

(B) Basic agreements with telephone companies for communications services and facilities, and purchases under such agreements; and

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(C) Transportation contracts with common carriers for common carrier services.

[70 FR 75413, Dec. 20, 2005]

### **232.670 Transfer of responsibility for debt collection.**

Follow the procedures at PGI 232.670 for transferring responsibility for debt collection.

[70 FR 75413, Dec. 20, 2005]

### **232.671 Bankruptcy reporting.**

Follow the procedures at PGI 232.671 for bankruptcy reporting.

[70 FR 75413, Dec. 20, 2005]

## **Subpart 232.7—Contract Funding**

SOURCE: 58 FR 46092, Sept. 1, 1993, unless otherwise noted.

### **232.702 Policy.**

Fixed-price contracts shall be fully funded except as permitted by 232.703–1.

### **232.703 Contract funding requirements.**

#### **232.703–1 General.**

(1) A fixed-price contract may be incrementally funded only if—

(i) The contract (excluding any options) or any exercised option—

(A) Is for severable services;

(B) Does not exceed one year in length; and

(C) Is incrementally funded using funds available (unexpired) as of the date the funds are obligated; or

(ii) The contract uses funds available from multiple (two or more) fiscal years and—

(A) The contract is funded with research and development appropriations; or

(B) Congress has otherwise authorized incremental funding.

(2) An incrementally funded fixed-price contract shall be fully funded as soon as funds are available.

[71 FR 18673, Apr. 12, 2006]

### **232.703–3 Contracts crossing fiscal years.**

(b) The contracting officer may enter into a contract, exercise an option, or